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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/610,828	07/06/2000	Kurt C. McCracken	12016-002001	5424
26161	7590	01/23/2006	EXAMINER	
FISH & RICHARDSON PC P.O. BOX 1022 MINNEAPOLIS, MN 55440-1022			ROSEN, NICHOLAS D	
			ART UNIT	PAPER NUMBER
			3625	
DATE MAILED: 01/23/2006				

Please find below and/or attached an Office communication concerning this application or proceeding.

<b>Office Action Summary</b>	<b>Application No.</b> 09/610,828	<b>Applicant(s)</b> MCCRACKEN ET AL.	
	<b>Examiner</b> Nicholas D. Rosen	<b>Art Unit</b> 3625	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

#### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### Status

- 1) ☒ Responsive to communication(s) filed on 10 January 2006.
- 2a) ☐ This action is FINAL.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### Disposition of Claims

- 4) ☒ Claim(s) 1-29 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-29 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

#### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on 06 July 2000 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### Attachment(s)

- |   |   |
|---|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)             | 4) <input type="checkbox"/> Interview Summary (PTO-413)                     |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)    | Paper No(s)/Mail Date. _____  |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| Paper No(s)/Mail Date _____   | 6) <input type="checkbox"/> Other: _____                                    |

## **DETAILED ACTION**

Claims 1-29 have been examined.

### ***Claim Rejections - 35 USC § 103***

This application currently names joint inventors. In considering patentability of the claims under 35 U.S.C. 103(a), the examiner presumes that the subject matter of the various claims was commonly owned at the time any inventions covered therein were made absent any evidence to the contrary. Applicant is advised of the obligation under 37 CFR 1.56 to point out the inventor and invention dates of each claim that was not commonly owned at the time a later invention was made in order for the examiner to consider the applicability of 35 U.S.C. 103(c) and potential 35 U.S.C. 102(e), (f) or (g) prior art under 35 U.S.C. 103(a).

#### **Claims 1-15 and 26-28**

Claims 1-7, 9-15 and 26-28 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), and official notice. As per claim 1, Ward discloses acquiring one or more properties from one or more investors in exchange for an interest in an investment entity, and discloses tax advantages of such investment entities (LLC's). Hitchings discloses using a machine to (e) identify properties appropriate for disposition (Abstract; paragraphs 3-5 and 11-17); and exchanging at least one of the identified properties that falls outside of an investment profile for at least one other property in a tax-advantaged exchange (Abstract; paragraphs 3-5 and 11-17). Hence, it would have been obvious to

one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to identify properties appropriate for disposition, and exchange at least one such property that falls outside of an investment profile for at least one other property in a tax-advantages exchange, for the stated advantage of implementing functions such as reconciliation and reporting with greater efficiency and accuracy, and the obvious advantages of profiting by exchanging property judged to be likely to be less profitable for property judged likely to be more profitable, and reaping any benefits to be obtained from the tax laws in making such exchanges.

Ward does not disclose using a machine to (a) track each investor's basis in an investment entity, (b) allocate each investor's basis in his interest in the investment entity among properties acquired by the investment entity, and (c) track the allocated basis of each investor as a result of a succession of transactions, but this is what mutual funds and other investment vehicles do, as taught, for example, by Moreau. Moreau teaches mutual funds paying dividends and capital gains distributions, which implies tracking each investor's basis in his interest in the investment entity (mutual fund), to know how much to pay or distribute to which investor. Moreau discloses capital gains distributions, "your share of the profits on the stock trades inside the fund," which implies allocating each investor's basis in his interest in the various stocks traded inside the fund, to determine the appropriate capital gains (or losses) to be allocated to each investor as the result of a succession of transactions (stock trades). Moreau does not expressly disclose carrying out these steps using a computer, but does disclose a fund figuring total return with the help of a computer; it is hard to believe that a fund would

use a computer for this, but not for tracking the various investors' bases in the fund, and the dividends and capital gains distributions due to them. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to use a machine to carry out these steps, for the obvious advantage of efficiently carrying out the necessary functions for tracking investments and returning appropriate sums to investors in the forms of dividends, redemptions of shares, etc., and for the obvious advantage of not having to employ large numbers of scribes to make the necessary calculations on paper with quill pens.

Ward does not expressly disclose enhancing the value of at least one of the properties by physical improvements and redeeming an interest of at least one of the investors in an investment entity at a value based on the current value, but official notice is taken that it is well known for managers/developers to routinely enhance the value of property by physical improvements, and well known to redeem an interest of at least one of the investors in an investment entity at a value based on the current value (e.g., this is what investors in mutual funds routinely do, as implied in the final paragraph of Moreau's article). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to enhance the value of at least one of the properties by physical improvements, for the obvious advantage of profiting from higher rents and/or selling prices; and to redeem an interest of at least one of the investors in an investment entity at a value based on the current value, for the obvious advantage of redeeming at an appropriate value. (If investors were not able to redeem their interests, or not able to do so unless at a value far below the current value, not reflecting profits

made by the investment entity, they would be reluctant to invest in the first place; if investors were able to redeem their investments at a value above the current value [not reflecting losses of the investment entity, perhaps], they would tend to do so eagerly, until the investment entity became bankrupt from unsustainable redemptions.)

As per claims 2, 3, 4, and 11, official notice is taken that income-producing real estate, inner-city residential properties, and distressed properties are well known categories of real estate, in which it is well known to invest. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the investment profile to comprise any of these categories, for the obvious advantage of profiting from the collection of rent upon, or the profitable sale of, these well-known categories of real estate (in fact, the distressed properties of claims 4 and 11 need not even be real estate, but might be some other kind of properties).

As per claims 5 and 6, official notice is taken that it is well known to invest preferably in underpriced properties, if one can find them; much analysis of the stock market and other potential investments comprises searching for underpriced properties. Properties for which a purchase price for an individual property divided by a total rent obtained from such property is low relative to other properties located in a surrounding area (as per claim 5), and residential rental properties for which rents are below market for a neighborhood proximate to such properties (as per claim 6) are properties which may well be underpriced (unless they are properties which have things wrong with them). Hence, it would have been obvious to one of ordinary skill in the art of finance at

the time of applicant's invention for the investment profile to comprise such properties, for the obvious advantage of investing in properties likely to be especially profitable.

As per claim 7, Ward discloses that an investor can make a tax-advantaged contribution of property in exchange for an interest in the investment entity (see under "CAPITAL CONTRIBUTION" for contribution of property, and under ""CONTRIBUTIONS OF APPRECIATED PROPERTY" and "TAX ADVANTAGES OF PARTNERSHIPS" for tax advantages).

As per claim 9, official notice is taken that it is well known for physical improvements to comprise refurbishment. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the physical improvements to comprise refurbishment, for the obvious advantage of obtaining higher rents and/or selling prices for refurbished properties.

As per claim 10, official notice is taken that attempting to enhance the value of property by improved management is well known. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to enhance the property value by improved management, for the obvious advantage of profiting from eliminating waste, conducting operations more cheaply and effectively, etc.

Claims 12 and 13 recite limitations essentially parallel to those of claims 6 and 5 (in that order); claims 14 and 15 recite limitations essentially parallel to those of claims 6 and 5 (in that order). Therefore, claims 12-15 are rejected on the grounds set forth above with regard to claims 5 and 6.

Claim 26, Ward does not expressly disclose that the values of interests in the investment entity that are exchanged for properties of investors through tax-advantaged transactions are based on the current value, but official notice is taken that it is well known for the values of interests (e.g., shares of stock or similar) exchanged for other property to be based on a current value (which, after all, would normally reflect expected future values). The alternative, for the values of interests in the investment entity to bear no relation to a current value, is implausible, because it would involve investors parting with their property in return for interests of random value, apparently without concern for the actual value, or the managers and shareholders of the investment entity parting with interests in their investment entity without concern for their value. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the values of interests in the investment entity that are exchanged for properties of investors through tax-advantaged transactions to be based on the current value, for the obvious advantage of not entering into grossly unfavorable or absurd exchanges.

As per claim 27, official notice is taken that it is well known for the redeeming of interests by investors to occur at times determined at least in part by the investors, as, for example, when an investor sells shares of stock, shares in a mutual fund, real estate that an investor puts up for sale, etc. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the redeeming of interests by investors to occur at times determined at least in part by the investors, for the obvious advantage of enabling the investors to obtain money or property in return



for their interests when they were in need of such money or property, and because an investment entity which did not let investors redeem interests at times determined at least in part by the investors would be likely to experience difficulties in finding investors to start with.

As per claim 28, Ward discloses that the investment entity comprises a limited liability company (throughout).

Claim 8 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward, Hitchings, Moreau, and official notice as applied to claim 1 above, and further in view of the anonymous article, "Halifax Account Wrangle." Ward does not disclose that the redemption of interests of investors is limited at any one time to a predetermined portion of a value of the properties held by the investment entity, but it is well known to limit the amounts of investments which can be redeemed at any one time, as taught, for example, by "Halifax Account Wrangle." Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the redemption of interests of investors to be limited at any one time to a predetermined portion of a value of the properties held by the investment entity, for the obvious advantage of not requiring the investment entity to liquidate properties overhastily, with likely consequent losses.

#### **Claims 16-25**

Claims 16-22, 24, and 25 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study:

Total Return”), and official notice. Claim 16 is essentially parallel to claim 1 (which does not expressly recite a management entity, but such an entity is inherent from the disclosed actions, which constitute management); further, Ward discloses a management entity (“OPERATING AGREEMENT,” “MANAGEMENT PROVISIONS,” etc.). Also, official notice is taken that it is well known to record and analyze investments; any sort of investment entity run with very minimal competence does this, and it is typically done with the use of a machine (computer). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant’s invention to record and analyze investments held by the investment entity, for the obvious advantage of being able to judge successes and failures, modify plans, file tax returns and other required government reports, pay investors their due, etc.

Ward does not expressly disclose analyzing other properties within the investment profile for possible investment by means of tax-advantaged transactions, but official notice is taken that it is well known to analyze properties for possible investment, including analysis of tax advantages, etc. (this is a large part of what mutual funds, investment firms, mutual funds, REIT’s, insurance companies, etc. do). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant’s invention to analyze other properties within the investment profile for possible investment by means of tax-advantaged transactions, for the obvious advantages of finding good properties to invest in, and avoiding investments likely to be unprofitable.

Claims 17, 18, 19, 20, 21, and 22 are essentially parallel to claims 2, 3, 4, 5, 6, and 7, respectively, and rejected on the grounds set forth above for those claims.

As per claim 24, Ward discloses that the management entity can be the same as the investment entity (see sections headed "MANAGER or MANAGERS [sic]" and "MANAGEMENT PROVISIONS").

As per claim 25, Ward discloses that the investment entity can receive cash contributions (see section headed "CAPITAL CONTRIBUTION").

Claim 23 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward, Hitchings, Moreau, and official notice as applied to claim 16 above, and further in view of the anonymous article, "Halifax Account Wrangle." Claim 23 is closely parallel to claim 8, and rejected on the grounds set forth above for that claim.

#### **Claim 29**

Claim 29 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), the anonymous article, "Halifax Account Wrangle," and official notice. Claim 29 is essentially parallel to claim 1 with claims 8 and 26 included, and rejected on essentially the same grounds set forth above with regard to those claims. Claim 1 does not recite defining an investment profile, but official notice is taken that this is well known; prospectuses for mutual funds, REIT's, etc., typically define and set forth their investment profiles. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to define an investment profile, for the obvious advantages of attracting investors, and providing some protection from complaints and lawsuits in the event of investing according to the profile turning sour.

Ward is not explicit that properties are acquired and interests redeemed at a succession of different times, but official notice is taken that this is well known (mutual funds, REIT's, and other entities typically acquire properties and let investors redeem interests at a succession of different times). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to do these things at a succession of different times, for the obvious advantage of acquiring properties as the properties, and/or funds with which to buy them, became available, and redeeming interests as convenient to the investors and/or the investment entity.

### ***Response to Arguments***

In response to the Appeal Brief received January 10, 2006 (mailed January 6, 2006), Examiner has re-opened prosecution, making explicit in the claims his use of some prior documents made of record in the previous Office action in response to Applicant's traversal of some takings of official notice, and also taking explicit official notice of points which were taken as obvious or well known without such explicit statement.

Those of the common knowledge or well-known in the art statements in the previous office action which were not traversed are taken to be admitted prior art, because Applicant did not traverse Examiner's taking of official notice (for some facts of which official notice was taken).

**Conclusion**

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Gastineau et al. (U.S. Patent 6,941,280) disclose determining intra-day net asset value of an actively managed exchange traded fund.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Nicholas D. Rosen, whose telephone number is 571-272-6762. The examiner can normally be reached on 8:30 AM - 5:00 PM, M-F.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn Coggins, can be reached on 571-272-7159. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300. Non-official/draft communications can be faxed to the examiner at 571-273-6762.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

*Nicholas D. Rosen*

**NICHOLAS D. ROSEN  
PRIMARY EXAMINER**

January 19, 2006